

IV Q&A Concerning TOKYO PRO Market

This Q&A explains in detail items introduced in this Guidebook. The fundamental principle of TOKYO PRO Market is its principle-based approach to market management. While this Q&A would serve as a guide, please handle actual matters based on mutual consultation with your J-Adviser and the parties involved.

1 Market System

Q1: Does TOKYO PRO Market allow cross listing on another financial instruments exchange market in Japan?

A1: If cross listing on another exchange market in Japan is approved, an issue that can be traded by anyone in that market cannot be traded similarly in TOKYO PRO Market because TOKYO PRO Market is only open to professional investors. Since this will confuse investors and other market users, an issue is not allowed to list on both TOKYO PRO Market and another financial instruments exchange market in Japan.

If a company listed on TOKYO PRO Market newly files a listing application to a financial instruments exchange market operated by TSE (e.g. Mothers or JASDAQ), the company will need to appoint a TSE trading participant as the lead manager. It can appoint either its supervising J-Adviser or a different entity.

Q2: Please explain the exceptions that allow general investors to buy stocks in TOKYO PRO Market.

A2: Since TOKYO PRO Market targets professional investors, in principle, general investors cannot buy stocks. However, purchase by an officer of such listed company who has a majority of voting rights or continuous purchase by an officer, etc. of such listed company jointly with other officers according to a certain plan not based on individual investment judgment (shareholding association) are approved in TOKYO PRO Market as an exception by laws and regulations (reference: Article 125-2 of the Cabinet Office Ordinance on Financial Instruments Business, etc.).

Q3: Please give an outline of explain the forms and the descriptions required in Specified Securities Information and Issuer Filing Information, when listing specified securities on TOKYO PRO Market.

A3: Rule 2, Paragraph 3 of Special Regulations of Securities Listing Regulations Concerning

Specified Listed Securities defines 13 types of securities under “stocks etc.” that can be listed on TOKYO PRO Market.

In accordance with (1)-m of “Notes on Provision of Specified Securities Information” and “Notes on Provision of Issuer Filing Information,” an issuer intending to list specified securities (meaning regulated securities specified in Article 5, Paragraph 1 of the Financial Instruments and Exchange Act) is required to state items in the corresponding form for the type of securities specified in the Cabinet Office Ordinance on Disclosure of Information, etc. of Regulated Securities, based on the notes on provision for each form.

In the case of listing domestic investment securities, for example, the issuer is required to state, as specified in (1)-m of “Notes on Provision of Specified Securities Information” and “Notes on Provision of Issuer Filing Information,” “Outline of Fund,” “Management and Administration,” “Financial Condition of Fund,” “Outline of Securities Administration,” “Outline of Management Company,” and “Outline of Other Affiliated Companies” in accordance with the description required in Form No. 4.3 of the Cabinet Office Ordinance on Disclosure of Information, etc. of Regulated Securities, meaning, “Outline of Fund” (Part II, No. 1), “Management and Administration” “Financial Condition of Fund” (Part III, No. 3), “Financial Condition of Management Company” (Part III, No. 5), “Outline of Domestic Investment Securities Administration” (Part II, No. 3), “Outline of Asset Management Company” (Part III, No. 4.1), and “Outline of Other Affiliated Companies” (Part III, No. 4.2).

2 Applicant Company and Listed Company

Q4: How are the listing criteria in Rule 113 of the Special Regulations determined?

A4: Investigation and confirmation of the listing criteria in Rule 113 of the Special Regulations and whether the criteria are met are primarily left to the supervising J-Adviser. The J-Adviser determines whether a listing application should be approved based on the standards of the J-Adviser. In investigation and confirmation of listing eligibility by a supervising J-Adviser, the J-Adviser is expected to give guidance and advice according to the size and maturity of the applicant company through effectively monitoring it after listing, for example.

Q5: Is it possible to use both English and Japanese in disclosure material?

A5: TOKYO PRO Market was established for listings by companies, regardless of domicile, that are looking for risk capital and disclosure materials and documents submitted to TSE can be prepared in both Japanese and English. Disclosure material can be released in either language or contain full information in both languages. As such, the use of English in some parts and Japanese in other parts of the same material is not allowed. Also, either language, once adopted, should be used continuously to facilitate comparison.

Q6: Why are entries concerning working capital required in Specified Securities Information (or Issuer Filing Information)?

A6: As for working capital, it is required in Specified Securities Information (or Issuer Filing Information) to show investors that the company has sufficient working capital required to continue business for 12 months after listing. This allows them to understand the amount of funds necessary to continue its business and judge whether the company has the capability to raise such funds. The supervising J-Adviser is required to verify the working capital of the applicant company from the abovementioned perspective as part of the investigation and confirmation process for listing eligibility.

Q7: One of the listing requirements of TOKYO PRO Market is audit by an audit firm. Does this audit firm need to be registered with the System for Listed Company Audit Firms?

A7: At TOKYO PRO Market, it is not a prerequisite for the audit firm to be registered with the Registration System for Listed Company Audit Firms, but audit by a registered audit firm is desirable.

Q8: What is a "reverse merger with an unlisted company" prescribed in the Regulations? What procedures are necessary when a listed company conducts a reverse merger with an unlisted company?

A8: A "reverse merger with an unlisted company" is also called a "reverse takeover" and "inappropriate merger, etc." in the current TSE rules.

TOKYO PRO Market allows listing of small companies, and it is considered that such cases of listing may be observed more in TOKYO PRO Market compared to existing markets.

When a reverse merger is carried out with an unlisted company (when a large unlisted company merges with a small listed company, and the large unlisted company becomes the actual listed company), such listed company shall be required to pass a resolution at a general shareholders meeting concerning the submission of "Security Continued Listing Application Form" to TSE, attachment of audit report, etc. to the relisting application, and implementation of the reverse merger with the unlisted company by the time TSE approves relisting.

Q9: In what case may the J-Adviser terminate the J-Adviser agreement?

A9: In principle, a J-Adviser needs to conclude a J-Adviser agreement with the company planning to be listed by the time it expresses intent for a listing. A listed company is required to conclude a J-Adviser agreement with one J-Adviser as long as it is listed on the Exchange. In cases where this agreement is terminated due to some reason, unless the company concludes a new J-Adviser agreement with a different J-Adviser within one month, it will be delisted. As such, the J-Adviser agreement plays an extremely important role in the listing system of TOKYO PRO Market, and requirements for unilateral termination of the J-Adviser agreement by a J-Adviser is a factor for maintaining the listing status of a company. Although a J-Adviser agreement itself is

formulated by the J-Adviser, the regulations stipulate that in the case of excess liabilities, etc., namely a criterion for delisting, the J-Adviser can terminate its agreement unilaterally.

Q10: When a listed company loses its supervising J-Adviser, does the company need to find another J-Adviser?

A10: A listed company is required to conclude a J-Adviser agreement with one J-Adviser as long as it maintains its listing. When terminating such agreement with its current J-Adviser for some reason, it is necessary to conclude a new agreement with a different J-Adviser.

Q11: Please tell us the rules regarding the deadline for disclosure of earnings results at TOKYO PRO Market.

A11: The regulations stipulate that details of annual earnings results and interim earnings results should be disclosed immediately upon their finalization. While there is no predetermined deadline for disclosure, since earnings results are fundamental corporate information that affect investment judgment, disclosure is required within two months at the latest. For domestic companies, disclosure within 45 days is desirable as with other TSE markets.

Q12: Is disclosure of earnings forecast required at TOKYO PRO Market?

A12: Whether to disclose earnings forecast is left to the discretion of the company, and the regulations do not require such disclosure.
Please note that if a company discloses its earnings forecast, and it is later changed by a certain level or more, it will be subject to timely disclosure.

Q13: Quarterly disclosure is not required by TOKYO PRO Market rules. Are there any points to note when providing quarter disclosure?

A13: When providing quarterly disclosure, it is necessary to coordinate with the J-Adviser and the audit firm on what and when to disclose since market regulations do not prescribe quarterly disclosure.

Q14: Are there any points to note when disclosing Issuer Filing Information, etc. on the company website?

A14: TOKYO PRO Market allows a company to choose to disclose Issuer Filing Information, etc., not only on the TSE website but also on its own website, considering cases where a foreign company discloses information based on a time zone of its home country. For domestic companies, unless the circumstances are exceptional, it is desirable to select disclosure on the TSE website. Choosing to disclose on the TSE website does not prevent a listed company from disclosing on its own website after the information is posted on the TSE website.

3 J-Adviser

Q15: Can a foreign entity become a J-Adviser?

A15: A foreign entity can become a J-Adviser if it fulfills the requirements prescribed by the regulations to be certified as a J-Adviser. It is desirable for a foreign entity serving as a J-Adviser to have a contact point (office) in Japan for smooth cooperation with TSE.

Q16: Please explain what corporate finance advisory business means.

A16: As requirements to obtain J-Adviser qualification as well as certification as J-QS within a J-Adviser, experience in corporate finance advisory business is required. Corporate finance advisory business includes investigation and confirmation of a company and other business requiring industrial expertise for providing advice and guidance such as advisory and examination of financing in the capital market (including initial listing, additional listing, and M&A), listing support, listed company support, and work concerning timely disclosure.

Q17: Is it possible to include experience at companies other than a J-Adviser in the working experience of J-QS?

A17: Yes. It is required to have more than three years of experience in corporate finance advisory business within five years before the application date, including experience at other companies.

Q18: Does the Exchange investigate a J-Adviser and impose punishment for an event that occurs because its supervised listed company fails to follow advice and guidance provided by the J-Adviser?

A18: A listed company has obligations as a listed company and is required to fulfill them, and its J-Adviser is required to provide advice and guidance for fulfillment of these obligations. Thus, for any event that occurs because the supervised listed company fails to follow the advice and guidance provided by the J-Adviser, punishment to such listed company shall be considered, but investigation may also be conducted on the J-Adviser to check whether it offered appropriate advice and guidance to its supervised listed company based on TSE regulations.

Q19: What are subject to on-site investigations of a J-Adviser?

A19: The purpose of on-site investigation of a J-Adviser is to assess whether it conducts business in accordance with TSE regulations. This means that the entire operations of the J-Adviser are subject to on-site investigation, including the process of investigation and confirmation

concerning listing eligibility of supervised listed companies before listing application and the status of fulfillment of other obligations as J-Adviser. In an on-site investigation, the operational system, the status of execution of operations and operational records of the J-Adviser are checked.

Q20:Is the scope of investigation required by TOKYO PRO Market the same as existing markets regarding whether the initial listing applicant has no relations with anti-social forces?

A20: It is the same with the approach of other existing markets. However, investigation is conducted in the scope that the J-Adviser considers appropriate in the process of investigation and confirmation of listing eligibility within the framework of TOKYO PRO Market.

Q21:If analyst reports concerning a supervised listed company are not issued, what kind of support is required of its J-Adviser?

A21: A company listed on TOKYO PRO Market is required to make efforts toward the regular issuance of analyst reports regarding the company, and the J-Adviser needs to provide support for the widespread issuance of such analyst reports concerning a supervised listed company. When analyst reports concerning a supervised listed company are not issued, the J-Adviser is still required to support the supervised listed company to continue the distribution of information to the market by actively assisting the listed company in its IR (investor relations) activities, etc.

Q22:When financing is conducted at the time of listing, are there any rules concerning how to determine a financing price? When listing is carried out without financing, is it necessary to calculate a stock price?

A22: The listing regulations do not stipulate a method to determine the financing price. As with other existing markets, when underwriting is conducted at the time of financing for initial listing, book building would be used. If there is no underwriting, a calculation method the company considers reasonable would be chosen. In the case of listing without financing, TSE receives calculation documents of a reference distribution price from the J-Adviser. This price will be the reference price for mid-price in the order book on the listing date. Calculations of the stock price should be independent from the listed company.